

MILPITAS TRANSIT AREA CONCEPT PLAN:



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Stakeholder Interviews

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by

DYETT & BHATIA
Urban and Regional Planners

Milpitas Transit Area Concept Plan: Stakeholder Interviews

As a first step in the Milpitas Transit Area Concept Plan, stakeholders were interviewed to learn about the existing conditions on properties, property owners' future plans for their property, and physical constraints or issues related to new development. Stakeholders were also asked about their recommendations for the long term future of the area. This report summarizes information learned from the stakeholder interviews.

I.1 INFORMATION ABOUT PROPERTIES BY SUB-AREA

Great Mall Retail – 120 acres

Mills Corporation bought the Great Mall over a year ago, and is planning to hold it long term. They believe the area has excellent demographics for retail, and that the long-term prospects for retail there are very good. They plan on doing major renovations, including new exterior entrances, flooring, interior lighting, painting, and furnishings. They also will be adding and substituting some tenants in the near future. They generally configure their malls into distinct “neighborhoods” – entertainment, sports, upscale retail, family retail, etc. Over the next few years, they hope to add some more upscale retail outlets, add more upscale restaurants, and consider adding a major entertainment type destination.

Mills would like to update their entitlements so that they have one master conditional use permit, and so they can work with the City to accommodate parking demand but eliminate rigid restrictions such as the 90% occupancy limit during peak season. Resolving entitlement issues is a key to being able to add new tenants that enhance the mall's success.

Other existing tenants within the Great Mall retail area are: the Home Depot, the Chevron/fast food combination, and the recently opened VTA Park and Ride Lot and Bus Transfer Facility, associated with the light rail station.

Montague Commercial – 19 acres

There are four properties in this area; all individually owned. Lightwaves owns and occupies their office building. Marriott Courtyards and Townhouse Suites occupy two other sites.

Heald Business College owns and occupies the corner property; operating two shifts from 8am to 2 pm, and 6 pm to 10:30 pm. They currently have 800 students, and have the capacity to expand to about 1200 students. They are very happy with the location, because it is centrally located, served by transit, and the adjacent mall offers opportunities for students to eat meals and do shopping errands. Heald plans to stay and occupy the property long term. They do not desire to expand any further at this site; if there were additional demand they would open an additional facility at a different location. Heald uses a portion of the Great Mall parking lot during weekday daytime hours. There is need for a better pedestrian connection between the east side of the Heald property and the mall; currently there is no sidewalk and it is not a safe walk for students going in a direct route to the Mall.

Piper/Montague – 50 acres

This area is almost 50 acres in total acreage, and is currently zoned for and occupied by industrial uses. The old Waukesha factory is being demolished, and there is significant vacancy in the industrial properties between the rail spur and the Waukesha property. There is a truck repair business at the corner of Montague and Piper. Several developers are interested in converting the area to residential development, and have either purchased property or secured options. They are working together to discuss their individual plans, in order to develop a cohesive proposal to the City for converting the area to residential, envisioning a variety of densities. Some clean up of hazardous materials contamination is required on these properties. The existing electrical substation fronting on Milpitas is a permanent use, and residential development would need to be separated from the substation with a landscape buffer.

All the residential developers believe the proximity to the Great Mall, transit, and freeways are a major asset for residential development. They agree that local-serving retail would be an amenity for the residential neighborhood, though they do not believe substantial retail square footage can be supported.

The corner property at Montague Expressway and Milpitas Boulevard is occupied by an industrial business that makes after-market modifications to semi-conductors. It is a small business with approximately 45 employees on site. They recently bought and completely renovated the property, and plan to stay in the location long-term. There is an adjacent property fronting Montague expressway with several small industrial businesses. The property owner has their own business on-site, and is not considering sale or re-location at this time, but is open to that possibility in the future.

Capitol/Gladding Court Industrial – 28 acres

At the corner of Montague and Capitol, bordered by light rail line and the railroad/future BART right-of-way is a triangular piece of property currently occupied by a truck sales/rental/parking use. The property is currently zoned for high density residential, and the property owner intends to hold and develop the property in the future. The property owner is concerned about land acquisition and site planning for the future BART station, and stated that until BART plans are finalized it will be difficult to obtain financing for development of his property.

There are 13 industrial properties accessed either off Montague Expressway or Gladding Court. There is a large public storage use on the property bordered by Montague and the rail right of way. All the properties are one-story and were built in the 1980's. One property owner stated that his industrial buildings are antiquated and leases are expiring soon, and so he wishes to pursue a rezoning for residential uses very soon.

Capitol Avenue Residential – 17 acres

This former concrete plant site was converted to rental multifamily residential development about two years ago. There are currently 468 units – a mix of 1, 2, and 3 bedrooms, along with a recreation center and day care; 20% of the units affordable. The property owners charge market rate rents, and keep the property fully occupied. The rental market has been

soft over the past couple of years due to the general economy in Silicon Valley, but rents are now stable. The property owners intend to hold the property long term as an investment property.

Capitol Avenue West – 30 acres

There are several properties that front on Capitol Avenue that are occupied by trucking uses, and have low value improvements relative to the value of the land. These properties are zoned for high density residential uses. One owner is interested in developing the property with residential and retail uses in the near future.

There is a property fronting on Montague Expressway near the corner of Capitol which is currently leased by the County for an employee training center. The owner indicates that the County is a long term tenant. The adjacent property fronting on Montague is occupied by Intertile, a tile company.

Trade Zone Industrial – 34 acres

The largest property in this area is occupied by Pick Your Part, a self-serve auto salvage business where customers are allowed to salvage parts from automobiles. Pick Your Part is a tenant with a long term lease, and the business owners intend to continue their operations at this location through the term of the lease and beyond. This is one of several locations throughout the state where Pick Your Part operates an auto salvage business.

The properties along Sango Court are occupied by a variety of vehicle repair and industrial businesses. They all seem to be actively occupied. The property at Montague and Trade Zone Boulevard is an R&D/light industrial building that seems to have significant vacancy.

Tarob Court Business Park – 22 acres

There are eight buildings in the Tarob Court Business Park, including six R&D/industrial buildings, and two commercial buildings that front on Trade Zone Boulevard. One property owner owns four of the R&D/industrial buildings. The owner indicates that the market for this type of space has been terrible ever since the downturn in Silicon Valley. Several of the major leases are coming due soon, and he expects to have to lower rents to 20-25 percent of the previous lease rates. Of the three current tenants, one is moving to Texas, and two are moving the manufacturing components of their operation to locations such as southern California, Florida, and Texas. The owner feels that the City should be doing much more to help businesses, such as reducing permit fees. The owner agrees that in the long run high density residential and office uses make sense in this area.

McCandless Business Park – 110 acres

McCandless Drive. – 66 acres. Berg and Berg Developers own fourteen R&D/light industrial buildings that front on McCandless Drive. There is approximately 700,000 square feet of space on a net acreage of about 45 acres. Nine of the buildings were built in the late 1980's, starting in 1985, and the last five were built in 1996. Approximately one-third of the space is currently vacant. The owner plans to hold it as an investment property. In the short run the owner plans on continued industrial uses, and would be concerned about new residential uses

complaining about industrial operations. In the long run, the owner is interested in maximizing value, and would like the flexibility to convert the property to more intensive land uses such as residential or office.

Centre Point Drive. – 30 acres. There are four R&D/Industrial buildings, that appear to be occupied, but with significant vacancy. There is one 133,000 square foot multi-tenant light industrial complex of six buildings at the corner of Montague and Capitol with small tenant spaces averaging 2000 square feet. That property is almost fully leased, as there is continual demand for small spaces for small or start-up businesses. The owners plan to hold the property and continue to lease it as investment property.

Houret Drive. – 15 acres. There are eight different properties in the area, including one that has been subdivided for commercial condominium ownership. The uses include a Carl's Juniors, a large health club, and several smaller industrial and auto service uses. No property owners or tenants in this area were interviewed.

I.2 ISSUES TO BE RESOLVED FOR NEW DEVELOPMENT

Through the stakeholder interviews, several key issues were identified that will be critical to moving forward with new development in the area. These are not issues that need to be resolved in the concept plan, but they need to be understood at this stage, and addressed during the development of any specific plans, general plan amendments or rezoning. City officials and staff from a variety of City departments would need to work with property owners and other stakeholders to resolve these issues.

Timing and Greater Certainty about Land Acquisition and Site Plan for BART

In order for development to proceed in the sub-areas surrounding the future BART station, property owners need to have greater certainty about plans for all the new roads, parking, transfer facilities, and other infrastructure associated with BART. While the BART extension is not expected to open until at least 2015, and the entire extension project only has 50% of the funding, the layout of the following project components must be known prior to future development in the Capitol/Gladding Court Area, and will significantly affect development in the Piper-Montague and Capitol Avenue West areas.

- **Timing of Milpitas Boulevard Extension and BART Improvements.**
- **Milpitas Boulevard Extension.** Determine exact layout of Milpitas Boulevard extension.
- **BART Station Layout.** Underground connection across Montague?
- **BART Parking, Kiss and Ride, and Bus Transfer Locations.**
- **Rail Turnaround Location.** When BART is in place, the rail line will end north of Montague Exressway, and there needs to be an area where trains can turn around. This requires extensive track length. This greatly affects the Piper-Montague area. Alternative locations are the existing Rail Spur, the northern boundary of the Wakeshau property, or relocation to the City of Fremont.

Future Expansion of the Great Mall and Great Mall Parking Strategy

The Great Mall is an important part of the fiscal base of Milpitas, and is important to the regional identity of the City. There is the potential for future additions of entertainment, restaurant, or even sports venues that could be an enhancement to the Mall, and could enhance the regional identity of Milpitas. There is a need to figure out where additions might take place, and develop a short term and long term parking strategy. Currently there are very tight restrictions on parking for the Great Mall that preclude significant further additions of new tenants.

Residential Development

If the City decides to allow residential development on current industrial sites, the following issues will need to be resolved:

- **Residential Development on Industrial Properties in Piper Montague Area.** Many issues would need to be resolved if residential development were to be permitted in the Piper/Montague area.
 - Soil contamination on the properties needs to be cleaned up and cleared by DTSC.
 - Groundwater contamination from the Jones Chemical site is underneath the properties and will need to be disclosed. Clean-up has been in progress for many years and is nearing completion, but long-term monitoring is required.
 - The area around the PG&E Substation will require a generous landscape buffer.
 - A Rail Spur runs through the area. It will either need to be removed, and any affected businesses provided with alternative means of obtaining deliveries, or there will need to be substantial buffering between the rail line and residential units.
 - Location of the Railroad Turnaround.
 - Location of the BART electrical sub-station, currently planned in the railroad “Y”.
- **Inclusionary Housing** is typically required for residential development; this can affect prices and/or generate request for City or Agency assistance.
- **Schools for New Residential Development.** There will be increased demand for schools as more residents move into the area.
- **Soil Contamination.** Many industrial properties have some type of soil contamination that will need to be cleaned up for any redevelopment or new land uses.
- **Parking Ratios for Residential Development.** The City will need to consider what parking ratio reductions are appropriate given the proximity of sites to transit.
- **Building Code Issues for Higher Density Residential Development.** Higher density housing types typically involve building code solutions and interpretations that are not familiar in a suburban Milpitas context, and the City will need to consider how the building code can be applied to these new housing types, in a way that guarantees safety and still promotes cost efficiency and good design.

Pedestrian Connections, and Street Improvements for Pedestrians

- **Pedestrian Connections across Montague Expressway between Capitol/Gladding Court Industrial and the Great Mall** are very important, both for any future development South of Montague, and for access between the Great Mall and the future BART Station.
- **Pedestrian Connection over railroad tracks and BART right of way between Piper/Montague area and the Great Mall** is very critical to the development of the Piper/Montague area, and could also be an asset for the Mall in providing better access for a local customer base.

- **Pedestrian Connection from McCandless Business Park to Great Mall and Light Rail** would be an asset to both the Mall and the tenants in the business park, and would be critical if residential development were to occur in this area in the future.
- **Pedestrian Connection from Capitol Avenue West to Light Rail and BART** is critical to future residential development being attractive and having a connection that allows residents to comfortably walk to the light rail station.
- **Pedestrian Enhancements on Great Mall Parkway/Capitol Avenue for Residents walking to Light Rail** is critical for residential development west of Capitol Avenue.

Road Improvements

- **Elevated Capitol Avenue Project.** The County Regional Transportation Plan includes a project to elevate Capitol Avenue above grade over the Montague Expressway intersection and thereby enhance capacity and speed up traffic on Capitol Avenue. This is not likely to receive priority for funding for 15-20 years. The City will need to evaluate how this project fits in with a long-term concept plan for the area. Because it is an elevated roadway and creates a dark unattractive area of columns at grade level, it could have significant detrimental effects to pedestrian character and connections along Great Mall Parkway/Capitol Avenue.

Infrastructure Issues

- **Improved Flood Control/Drainage Facilities.** The portions of the study area that are west of Capitol Avenue and south of Montague Expressway are currently in a flood zone, as are portions of the southern end of the Great Mall site, and the linear area alongside Piper Drive. Improvements to flood control facilities are needed to remove these areas from the flood zone. The Army Corps of Engineers has plans for flood control improvements that would accomplish this goal, but timing and funding is uncertain. Flooding can have major implications for design, financing, and insurance for any new development.
- **Additional Sewer Treatment Capacity.** Additional sewer treatment capacity will need to be secured for any development over and above what has been approved by the Midtown Specific Plan. That will require negotiations with surrounding jurisdictions to secure capacity.
- **Improved Phone Service Network.** The study area is at the outer edge of a service district for phone services, and substantial additional network infrastructure is needed to serve a greater intensity of development in the area.

I.3 PROPERTY OWNER RECOMMENDATIONS FOR THE LONG-TERM DEVELOPMENT OF THE AREA

Mills Corporation believes that adding higher density residential in the area enhances the stability and success of the mall. Anything that makes Milpitas more of a destination, such as an entertainment or sports venue, would also be a major enhancement. Transit service is not a big factor for retail per se, though it could be a major asset for other supporting uses such as sports, entertainment, or residential.

Industrial property owners believe that in the long term industrial manufacturing operations will not locate in Milpitas due to the opportunity to operate at a much lower cost outside Silicon Valley. They believe that over time industrial properties with the advantages of a location near transit should convert to more intensive uses such as office and residential. However several industrial properties are fully leased with longer term leases, and owners wish to retain their industrial land use designation for at least ten years.

Residential developers see tremendous long-term potential for residential in this area. They make the following points. There is a huge demand, because there are so many more jobs than housing units in Milpitas and Silicon Valley. The economy of Silicon Valley is starting to come back, which will generate more jobs and more housing demand. This location is close to freeways and close to transit, so it is a great location for residential. Locating housing in the South Bay will help the overall traffic congestion problems.

Property owners are not interested in developing sports or entertainment facilities on their property, because they see the opportunity to make better returns by retaining their current use or converting to residential development. Mills Corporation is the one property owner that may be willing to add sports or entertainment uses because those uses can directly benefit the financial success of their retail uses.